Performance Audit

Agency Progress on Performance Audit Recommendations

December 22, 2016

This report reviews improvements made by state agencies and governments in 2014 through June 2016 to address audit recommendations. Agencies have reported implementing 87 percent of our recommendations which has resulted in over $11 in savings or additional revenue for every dollar spent on our performance audits. This report also highlights the work we have done in information technology security and the accomplishments of our Local Government Performance Center.

Introduction to the Auditor's Performance Audit Division

The State Auditor's Office holds state and local governments accountable for the use of public resources. With the passage of Initiative 900 in 2005, a portion of the sales tax was used to create a new division within our Office, Performance Audit. The Performance Audit division contributes to our accountability efforts by reviewing government programs to determine if they effectively, economically and efficiently achieve their overall mission and goals. Our performance audits address a wide variety of subject areas, including public safety, health and human services, education, transportation and other government operations. We began conducting performance audits on information technology (IT) security in 2014, to strengthen government operations and reduce risks. These audits help ensure state and local governments are protecting confidential data from security threats. All of our performance audits are conducted according to U.S. Government Accountability Office auditing standards, published in the "Yellow Book."

We also work proactively with governments to help improve operations. We established the Local Government Performance Center in 2012, to provide tools and resources to local governments to help them work better, cost less and deliver higher value to their residents.

Once an audit is complete, the focus shifts to the agencies and governments we made our recommendations to. Each year, we ask them if they implemented our recommendations and whether they have achieved any improvements. This report highlights the actions they told us they have taken in the last two years. It also includes information about our audits examining IT security, audit reports published in 2016 and work in progress, and shares the accomplishments of our Local Government Performance Center.

Performance Audits

From 2007, when we published our first audit, through 2015, our Office has issued more than 2,100 recommendations to state agencies and local governments, and we have followed up on nearly 1,800 of them. Agencies reported that they have implemented or are in the process of implementing 87 percent of our recommendations. We also make recommendations to the Legislature; these are followed up by the **Joint Legislative Audit and Review Committee**.

As **Exhibit 1** shows, a greater percentage of recommendations in recent audits have been implemented compared to our first years of operation. This can be attributed, in part, to our continuing efforts to improve our recommendations so that agencies can more easily implement solutions to the issues our audits identify.

We strive to make recommendations that create substantive change and are within the power of the state to enact. Every year, agencies have reported that our recommendations have resulted in cost savings and additional revenue for Washington. For every dollar that Performance Audit spent between 2012 and 2015, our recommendations have produced about $11 in savings or additional revenue.

This section summarizes by audit the actions agencies reported they have taken from 2014 through June 2016. To allow agencies time to address our recommendations, we only include audits published before 2016. Note that we do not audit the results they report. Summaries are organized by topic: Economic Development and Commerce, Education, Transportation, Government Operations, and Human Services and Safety.

At times, we find areas of government that would sometimes benefit from multiple audits covering different aspects of a program. This allows for the review of larger, more complicated programs than is possible in just one audit. For example, our regulatory reform series has reviewed the regulatory permitting process from many different angles to allow us to identify multiple ways to improve it.

Exhibit 1 – Agencies reported implementing 87% of all recommendations, and the yearly rate has increased
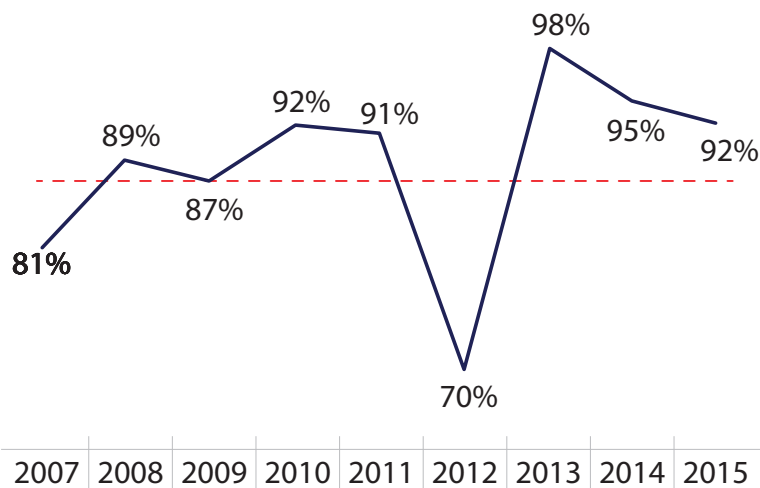
Note: In 2012, one audited agency disagreed with many of our recommendations, citing, in part, that their existing processes and procedures already addressed many of the issues our audit identified.

These icons indicate series audits. Click on the links to learn more about the topics on our website.

Regulatory Reform

Workforce Development

Criminal Records

Initiative 1163

Alternative Learning Experiences
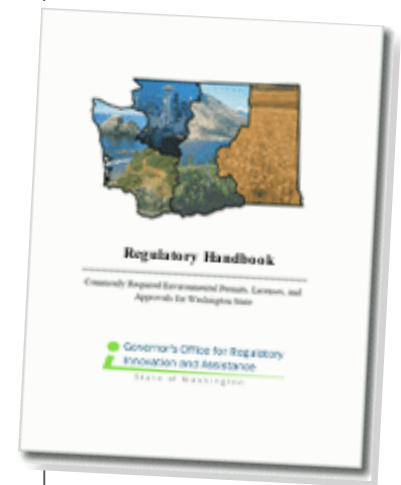
Economic Development and Commerce

Regulatory Reform: Improving Permit Timeliness

December 2013

Evaluated: How state agencies can improve permitting timeliness.

What we found: A survey we conducted during the audit showed agencies make decisions for about half of all permits in two weeks or less, but some can take months or years. Agencies provided permit processing times for only about 40 percent of permits, and in some cases, did not know how long processes take, since they did not measure permitting times. We recommended regulatory agencies provide more information and assistance to businesses as they prepare applications, including publishing the time it takes to complete applications and making a list of resources available. We also recommended they use timeliness data and other measures to identify and correct process bottlenecks.

Agency-reported results: The Office for Regulatory Innovation and Assistance (ORIA), in partnership with 14 regulatory agencies, continues to fulfill requirements outlined in RCW 43.42A to improve permit application process times. Together, ORIA and its partner agencies have completed two comprehensive reports to the Legislature detailing the progress made in improving permit timeliness. The second of four required comprehensive progress reports was published earlier this year, and included information on improvements to application completion and permit decision times. ORIA also works with partner agencies to regularly update a handbook, available to customers online, that contains relevant permit information and permit timeliness performance data.

Performance Measures in Economic Development Programs

October 2014

Evaluated: Whether the impact of the Associate Development Organization (ADO) program can be measured.

What we found: The ADO program, managed by the Department of Commerce, provides economic development services tailored to meet local needs. We found that assessing the direct impact of this program is difficult because so many factors influence business owners' decisions to expand or relocate. The report offers suggestions and leading practices that can help the state develop more effective performance measurement systems for economic development programs. We recommended the state clarify goals for the ADO program, reform reporting requirements and develop measures based on clarified program goals and leading practices.

Agency-reported results: The Legislature has not acted on our recommendations, which impedes Commerce's ability to implement recommendations we made directly to it.

Regulatory Reform: Enhancing Regulatory Agency Coordination

July 2015

Evaluated: Whether regulatory agencies collaborate on regulatory matters in order to minimize resources agencies and businesses must expend for regulatory approvals.

What we found: By coordinating their regulatory requirements and permitting activities, regulatory agencies can help promote economic vitality and improve program efficiency. This performance audit found that state agencies coordinated some of their work, but much of that coordination was informal and depended on the actions of individuals rather than policy. We recommended the Legislature assign a lead agency to develop a long-term strategy to identify and prioritize opportunities for targeted, multi-agency coordination of regulatory processes.

Agency-reported results: Several bills have been introduced in the state Legislature to help improve the regulatory process, but did not pass. One would have assigned an agency to coordinate regulatory requirements and put our recommendations in statute.

Workforce Development System: Identifying overlap, duplication and fragmentation

August 2015

Evaluated: This performance audit set out to map the workforce development system in Washington.

What we found: We found a complex network of 55 programs, managed by 12 state agencies and multiple service providers, at a cost of more than $1 billion a year in federal and state funds. It is complex because it serves a wide variety of people in vastly differing circumstances, requiring coordinated effort among many programs to develop a skilled workforce able to meet the diverse demands of business and industry in Washington. Our review identified duplication, fragmentation and overlap of services in workforce development programs, but found that these instances are largely justifiable. We also identified risks related to coordination among programs and variations in local service delivery that led to other audits. We did not make recommendations in this report.

Agency response: Representatives across state government participated in a statewide strategic planning process to expand and enhance access for job seekers and employers. Their four top priorities are creating a new performance system, actively engaging employers, integrating service delivery, and improving technology to increase access to workforce systems.

Education

Higher Education Performance-Based Funding

April 2014

Evaluated: This prospective analysis reviewed the performance-based funding systems for higher education in other states to help inform policymakers as they consider such a system for Washington's public four-year institutions.

What we found: Funding higher education based on performance is becoming increasingly common across the country. We found that policy goals and systems vary widely, with goals determining the performance metrics used to allocate funding. After reviewing metrics used by 11 states, we asked Washington's six public colleges and universities about the metrics they collect. We found they collect data for most metrics used by other states, including the five most common measures. We also identified leading practices that could help guide policymakers in Washington. We did not make recommendations in this report.

Agency response: The state has made several efforts to improve performance and accountability at four-year colleges and universities, and will learn from other states to tailor performance funding policies to the strengths and challenges specific to Washington.

Transportation

Washington State Ferries: Vessel Construction Costs

January 2013

Evaluated: Whether Washington ferries cost more than comparable ferries built elsewhere.

What we found: We found it does cost more to construct a ferry when Washington State Ferries (WSF) is the purchaser compared to other ferry purchasers, and that certain regulatory requirements – the Build in Washington laws and the Apprenticeship Act – contribute to these higher costs. While WSF has improved its use of leading practices, we identified potential for further reductions in construction costs through the use of additional leading practices. We recommended that the Legislature address the regulatory barriers that limit competition on WSF vessel procurement, and that WSF determine whether it can improve its vessel construction program by adopting additional leading practices.

Agency-reported results: In 2015, the Legislature passed bills requiring WSF to adopt leading practices and use design-build procurement when acquiring new ferries. The bills also allow vessels to be constructed out-of-state in certain circumstances to increase competition.

Government Operations

Creating a 21st-century Financial Management System in Washington

May 2013

Evaluated: The potential costs and benefits of implementing a modern, full-featured Enterprise Resource Planning (ERP) system to replace Washington's current financial management system.

What we found: The state's financial system comprises three tiers: the primary accounting system, core financial systems, and a constellation of smaller, agency-managed systems. Our review found Washington's current financial management system did not efficiently meet current needs because of fragmented, out-of-date technology. Agencies used more than 100 often redundant components, ranging from spreadsheets to standalone systems. During the audit, agencies were already planning to modernize the state's financial management system. We recommended agencies proceed with those plans, and create a management structure that promotes strong financial management leadership.

Agency-reported results: Agencies created a financial management structure whose membership includes a cross section of agency representatives from all three branches of state government. The Office of Financial Management (OFM) issued a report on modernizing the state's enterprise financial and administrative systems at the end of 2014, and received an appropriation for the 2015-17 biennium to continue progress on planning for core financial system replacement. Work will include development of a new chart of accounts for the state, an enterprise Lean procurement process project, and updating key budget applications.

Safe Data Disposal

April 2014

Evaluated: Whether agency computers sent to the state surplus store contained any confidential data.

What we found: Before state government agencies release computers they no longer need for sale or surplus, state laws require they erase all data, including confidential information such as Social Security numbers, medical information, and IT system and security information. We checked a sample of computers sent for surplus and estimated that 9 percent of the computers scheduled for sale during our review period contained confidential data that should have been removed. We recommended state agencies follow a national best practice to conduct a final check to verify all data has been removed before releasing computers. We also recommended the Office of the Chief Information Officer improve its policies and oversight for agency data disposal practices.

Agency-reported results: After our audit found weaknesses in the data removal system, state agencies responded swiftly to improve their processes and ensure data was removed from surplus computers. They also put in place policies to verify that data is erased from computers before sending them to surplus. The sale of computers at the surplus store was temporarily halted until a new process to erase confidential data could be implemented. The Office of the Chief Information Officer is amending the state IT security standards to reflect our recommendations.
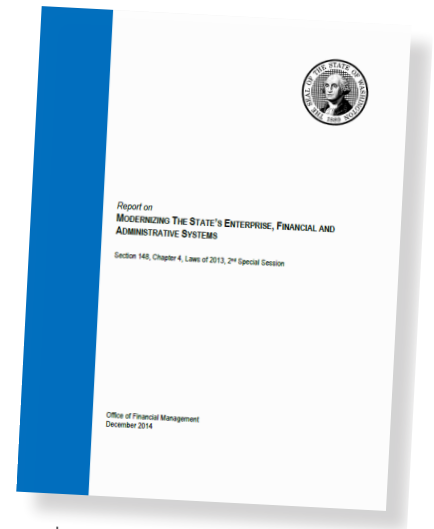
Medicaid Managed Care Program Oversight

April 2014

Evaluated: Whether the state has controls in place to effectively oversee the managed care organizations that process millions of claims for their insured members and to prevent overpayments.

What we found: In 2013, Washington's Medicaid managed care program, jointly funded by the federal and state government, provided health coverage for about 796,000 residents and cost almost $1.4 billion. We found that weaknesses in oversight led the managed care organizations to pay more to providers than was appropriate, which in turn may have led to the state paying them higher insurance premiums in fiscal year 2013 and beyond. The Health Care Authority did not verify the data used to set premium rates paid to managed care organizations was accurate, including administrative costs and cost recoveries, such as pharmacy rebates and recoveries received from other insurance companies. We recommended the Health Care Authority take multiple steps to improve oversight and controls over payments, including implementing a comprehensive revenue and cost monitoring system, conducting regular audits, and establishing clear criteria to help determine allowable expenses.

Agency-reported results: Using $2.3 million authorized by the Legislature, the Health Care Authority is developing and implementing a system to improve contract monitoring activities and to automatically reconcile and report data received from the managed care organizations. The Authority is shifting its resources, including comprehensive program audit resources, to focus more on managed care. Managed care organizations now receive clearer guidance on how medical and administrative costs should be calculated and cost recoveries should be reported. To assist with reviewing cost data that goes into the premium rates and to improve transparency of the rate setting process, the Authority hired an actuary in October 2014. Managed care organizations are now required to use national best practices in coding edits to help identify inappropriate charges. The Authority revised contract language to ensure the organizations submit timely and accurate data to the Authority, and to ensure they retain data used in rate setting.

Electronic Benefit Transfer Cards

November 2014

Evaluated: Whether the Department of Social and Health Services (DSHS) is effectively using analytical techniques to prevent the inappropriate use of Electronic Benefit Transfer cards.

What we found: DSHS administers large federal food and financial assistance programs, which provide nearly $2 billion in state and federal benefits to low-income Washington residents each year. These program benefits can be abused or paid to persons who do not qualify to receive them. Recent legislation required DSHS to make efforts to address these risks an agency priority. Our audit concluded that DSHS' efforts are effective in those areas examined. We did identify some potential cases where clients were inappropriately receiving benefits, and a few areas where DSHS can further improve oversight. We recommended DSHS use data to more quickly identify program participants who have moved out of state, earned more income than allowed, or died while receiving benefits.

Agency-reported results: The Office of Fraud and Accountability at DSHS is investigating the cases we identified where individuals might have received benefits inappropriately and has already found nearly $63,000 in inappropriate benefits. DSHS was recognized by the U.S. Department of Agriculture for its effectiveness in detecting Electronic Benefit Transfer (EBT) card trafficking on social media and was awarded $751,000 to continue its efforts. In addition, DSHS staff have implemented new processes to check the Department of Health's deaths file each quarter to ensure benefits are not issued to deceased clients.

Debt-Offset Programs: A tool to help Washington collect delinquent debt

December 2014

Evaluated: Whether a state and/or federal debt-offset program could help Washington collect delinquent debt.

What we found: Debt-offset programs intercept payments the state makes to businesses that owe money to the state and use that money to offset debts the business owes, such as delinquent state taxes. We researched leading practices and spoke to nine states that use debt-offset programs; we found that effective programs encourage wide participation across agencies and use processes that are standardized and automated. We found that by implementing a state debt-offset program and participating in the U.S. Treasury's State Reciprocal Program, Washington could more quickly and efficiently collect delinquent business debt. The report included recommendations to the Legislature that could help Washington establish a comprehensive debt-offset program.

Agency-reported results: The Legislature has not taken action on our recommendations.

Human Services and Safety

Developmental Disabilities Administration: Improving payment systems and monitoring necessary to prevent errors and improve safety

July 2013

Evaluated: Whether the Developmental Disabilities Administration (DDA) made improper payments to businesses providing supported living services.

What we found: The DDA's supported living payment process was insufficient and resulted in inaccurate and unauthorized provider payments. We recommended the state update payment rates and ensure staff follow the new rate review process, and reconcile paid hours to business payroll records.

Agency-reported results: The DDA established ongoing training for all residential providers on the importance of the accuracy and timeliness of background checks, and updated its policy on requiring additional background checks. It implemented a process for auditing residential agencies on background check requirements. The agency also developed a plan to conduct additional and ongoing audits of contracted agencies' payroll records.

Post-Adoption Services

February 2014

Evaluated: Whether families who adopted children from the foster care system were receiving the services they needed.

What we found: Most parents who adopted children from foster care said in a survey that they do not need additional post-adoption services. However, some families cannot get all the services they require, especially for the children with the greatest needs. Many parents also had problems finding information about services in their communities. More than half of the families who negotiated their adoption support benefits in the past year gave poor to fair ratings to the state's negotiation process. We recommended DSHS develop a plan to enhance post-adoption services.

Agency-reported results: DSHS updated their website to provide more information for families who have adopted or are preparing to adopt a child from foster care, and plans to survey families once a year to determine if they are receiving the support they need.

Initiative 1163: Long-Term Care Worker Certification Requirements

December 2014

Evaluated: Whether the certification rate for home care aide applicants improved and whether the Department of Social and Health Services (DSHS) was adequately monitoring adult family homes.

What we found: This performance audit found that improvements made by DSHS and the Department of Health (DOH) since our 2012 audit have helped more applicants obtain home care aide certificates. The percent of applicants achieving certification almost doubled, from 29 percent in early 2012 to 58 percent in 2013. We also found that 96 percent of workers reviewed in our selection of adult family homes met I-1163 requirements, suggesting monitoring efforts are reasonable. We recommended the agencies identify barriers that keep workers from completing the certification process, send written notices to all adult family home providers, and follow up on issues we identified during the audit.

Agency-reported results: DSHS and DOH are continuing to work together to identify and address barriers to certification. They implemented a data-sharing program to identify trends and monitor progress. They helped applicants with limited English proficiency by publishing a glossary of terms that are not easily translated and launching a program to pay for interpreter services. DOH also streamlined the application.

DSHS sent letters to all adult family homes reminding them of the training and certification requirements for workers, and immediately investigated the homes we found where home care aides did not meet requirements.

New Freedom Consumer-Directed Services

December 2014

Evaluated: Whether the New Freedom Consumer-Directed Services program is cost-effective compared to the statewide Community Options Program Entry System (COPES).

What we found: New Freedom and COPES are two long-term care models used in the state for low-income adults with disabilities and elderly people. In 2014, New Freedom was only available in King and Pierce counties while COPES was available statewide. We found that New Freedom and COPES clients experienced comparable health outcomes, at the same cost to the state, but New Freedom's individual budget model was not suitable for all long-term care clients, and created some administrative challenges. However, New Freedom offered unique benefits to program participants who we found were very satisfied with the program and services they received. With the state's adoption of the Medicaid option, Community First Choice, at the end of 2014, Washington had an opportunity to apply lessons learned from the implementation of New Freedom to the state's new long-term care program. Since Community First Choice was implemented statewide, we recommended DSHS evaluate whether the New Freedom program should continue.

Agency-reported results: DSHS is consulting with the federal Centers for Medicare and Medicaid Services to build a flexible Community First Choice Option program model that will allow clients to use some personal care hours each month to purchase eligible services, training and devices to assist with activities of daily living, similar to options in the New Freedom program. DSHS is incorporating the knowledge gained by New Freedom staff into training for case managers of clients under Community First Choice. The agency is also gathering data to determine if New Freedom should continue.

Improving Completeness of Washington's Criminal History Records Database

June 2015

Evaluated: Whether the state's central criminal history records database was complete.

What we found: Criminal history records include information on arrests and the disposition of those arrests. They are used during criminal investigations, for charging and sentencing decisions, and to conduct background checks for jobs and volunteer positions. We found a third of the dispositions reported in the Judicial Information System (JIS) in 2012 were missing from the Washington State Identification System (WASIS). We identified two primary reasons: the person arrested was never fingerprinted, or vital information was not included when the disposition was entered into JIS. We recommended the Washington State Patrol seek changes to state laws and rules to ensure all people arrested are fingerprinted and that all dispositions are properly entered. We also recommended the Patrol work with local law enforcement agencies and courts to identify and improve weaknesses in their processes to report arrests and dispositions.
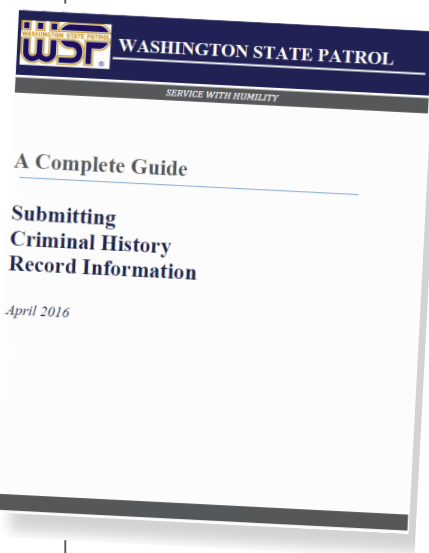
Agency-reported results: The Patrol took several actions to help local police departments and courts update criminal history information. In April 2016, the Patrol created a reference guide that detailed how to submit criminal history record information and distributed it to local agencies. Patrol managers also met with staff from 23 counties to discuss methods and best practices on submitting fingerprint arrest cards and dispositions, and will continue these efforts in the coming months. The agency is also working with the Administrative Office of the Courts to design a new court records system that should ensure data can be easily shared and criminal records are complete.

Prioritizing Fraud Investigations at the Department of Social and Health Services' Office of Fraud and Accountability

June 2015

Evaluated: Whether the Office of Fraud and Accountability (OFA) could reduce its backlog of referrals by improving methods for closing cases, workload allocation and performance reporting.

What we found: The OFA investigates allegations of fraud and abuse in public assistance programs. After news reports about its backlog of cases, OFA made several improvements, including restructuring the organization and assigning new leadership. Although its backlog of early detection referrals was declining, its backlog of overpayment investigation referrals was growing. We found that OFA had developed tools that could help ensure high priority allegations of fraud or abuse in public assistance programs were investigated.

However, OFA's lack of important performance measures hampered its ability to make informed decisions about how to best allocate resources. Our analysis of the available data suggested there were opportunities to use those resources more effectively. We recommended OFA gather data and revise its measures to complete referrals more cost-effectively.

Agency-reported results: OFA is focusing on completing investigations more quickly by pursuing overpayments and administrative disqualifications rather than criminal prosecutions which may be less cost-effective. Management is gathering data to determine the cost of completing investigations and improving the agency's performance measures.

Complaint Resolution Unit at the Department of Social and Health Services (DSHS)

November 2015

Evaluated: Whether complaints are processed and referred in a timely manner, and whether complaint severity assessments are accurate and consistent.

What we found: The Complaint Resolution Unit (CRU) receives and processes complaints regarding provider practice issues and allegations of abuse, neglect and exploitation of vulnerable adults living in residential care settings in Washington. Our audit found that the CRU has improved the timeliness of its complaint intake processing since 2014, but did not track whether it met time requirements outlined in state law; a lack of clarity in the law complicated CRU's efforts to measure and manage its processes.

We also found staff were reasonably accurate when prioritizing complaint severity, but inconsistent assessments were made in a quarter of test cases. CRU lacked a quality assurance process that might help it achieve higher consistency and accuracy. We recommended that DSHS work with the Legislature to clarify statute, begin tracking CRU's performance and establish a quality assurance process in the unit, and ensure successful implementation of the online reporting system.
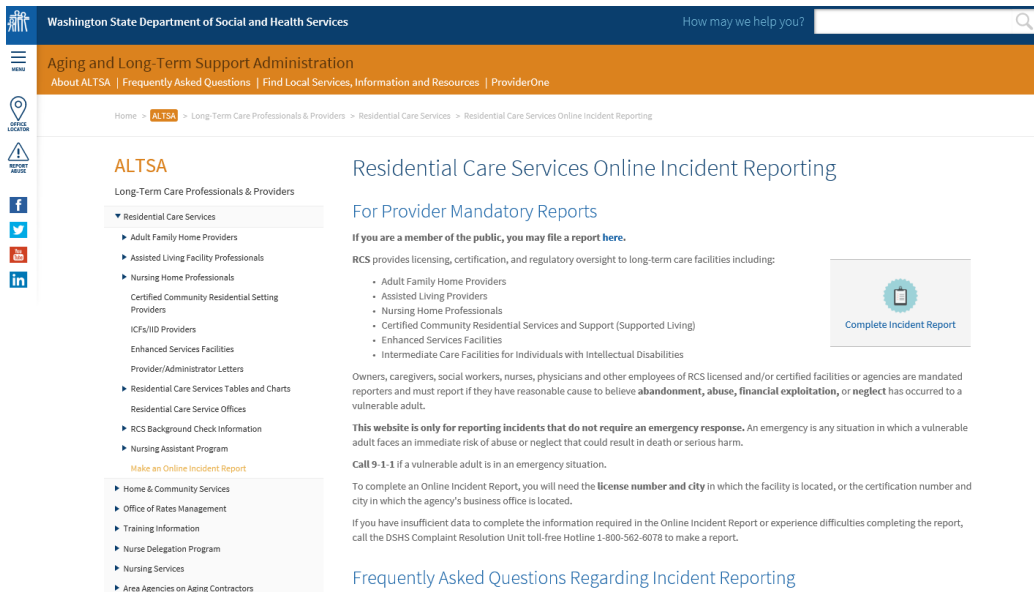
Agency-reported results: CRU created, defined and is tracking new measures to ensure it meets time requirements outlined in state law. It implemented an online reporting system for providers and the public to submit complaints. To ensure accurate and consistent prioritization of complaints, CRU implemented a quarterly quality assurance review process for supervisors to review whether staff are making reasonable assessments.

Information Technology (IT) Security Audits

Cyber security is a top concern of the State Auditor's Office. State and local governments support critical operations and maintain extensive confidential information including, for example, Social Security numbers, health records and financial information. When unauthorized people gain access to this information or compromise a critical system, the costs for both government and individuals can be substantial. To help state agencies and local governments protect their IT systems and data, we conduct IT security performance audits designed to assess opportunities for improvement. We plan to continue these audits to strengthen the security posture of our state and local governments.

These audits have evaluated how well selected state agencies and local governments protect their information technology systems and data, and how their security controls align with state requirements and national leading practices. Our security assessments identified areas where state agencies and local governments could strengthen internal practices and make their security controls more robust by aligning them more closely with the state's IT security standards or national leading practices.

In some instances where state agency controls did not align with leading practices, agency managers cited resource constraints and unclear state standards as the primary causes. They also said improved communication with WaTech, the state's enterprise IT service provider, would help them optimize statewide enterprise IT security services. In all cases, auditees began remediating technical issues uncovered during our security assessments immediately, and reported taking steps to improve their security controls.

What's next?

Cyber security continues to be a significant challenge for state and local governments. To help them protect their IT systems and secure the data needed to carry on state and local government business, we will continue to conduct IT security performance audits. To protect auditees and avoid putting them at risk from cyber-attack, we will not publish names of audited governments or details of the issues we found. These detailed results are exempt from public disclosure in accordance with RCW 42.56.420 (4).

Washington State Auditor's Office
Government that works for citizens

Performance Audit
Continuing Opportunities to Improve State Information Technology Security – 2016
November 7, 2016

Report Number: 1017915

Washington State Auditor's Office
Troy Kelley
Independence · Respect · Integrity

Performance Audit
Opportunities to Improve State IT Security

December 15, 2014

Washington has taken significant measures to protect the state from cyber threats, but opportunities exist to strengthen the state's information technology (IT) security posture to reduce security risk. We found that the state's IT security standards align closely with leading practices, including its statewide approach to IT security management. We also found that agencies are not in full compliance with these standards. Through our compliance and application security testing, we found numerous issues at five selected agencies. We also found significant discrepancies between agency-reported compliance with state standards and our own results. This indicates the monitoring and reporting process currently used to develop a statewide picture of Washington's IT security risks is not functioning as intended.

Audit Number: 1012957

Click on the cover images to read the reports online (pdf).

The Local Government Performance Center

The Local Government Performance Center was devised to help local governments by building on the lessons learned through our performance audits. The Performance Center provides a great variety of innovative, creative and state-of-the-art tools and resources at no cost. In the last two years, it has taken complex problems facing local governments and developed real-world solutions that can benefit government operations day-to-day, allowing them to serve their residents more effectively and efficiently.

Financial Intelligence Tool

Local government operations are complex. Officials must comply with a myriad of state and federal regulations, balancing often-constrained funds and resources while still addressing community priorities. To successfully manage this complexity, leaders need to understand local governments' financial position. This is why the State Auditor's Office created the Financial Intelligence Tool (FIT). FIT presents standard guidelines and understandable financial information designed for decisionmakers.

FIT is an online, interactive program that displays financial information in a trend format, with graphs and charts that allow for easy analysis. It combines financial information reported annually to our Office with other data sources to display various financial ratios and suggested guidelines. Tutorials embedded in the program make potentially difficult concepts easier to understand for users of any experience level. This tool allows local government officials to better understand their organizations' financial health and maximize services provided within constrained resources.

In February 2015, the Performance Center made FIT available to governments that report financial information using the cash basis of accounting, and in May 2016, offered it to those that report under Generally Accepted Accounting Principles (GAAP). Between its launch and October 2016, more than 600 governments have accessed FIT, representing nearly 35 percent of all local governments in the state. For the future, the Performance Center will continue to refine FIT, working with local governments to make sure it meets their needs.

Unaudited government financial data is already public information on our website at **www.sao.wa.gov/local/Pages/LGFRS.aspx**, and anyone may access it. Understanding it is another matter. To improve local government financial transparency, we plan to make FIT available to the general public, allowing users to view the same basic/straightforward trend analyses we currently offer to government officials.
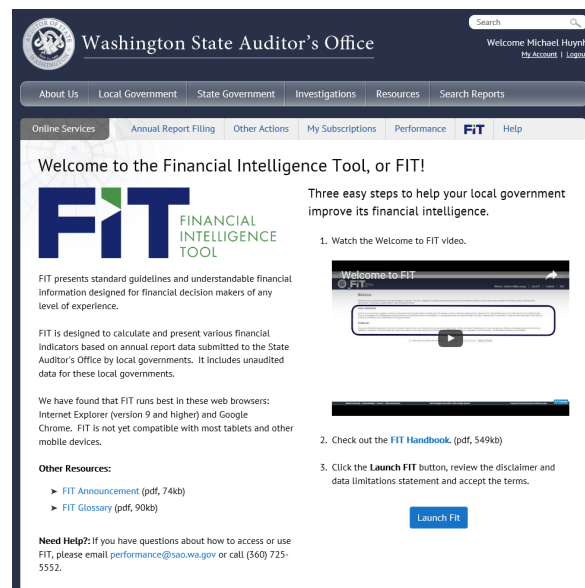
The National Association of State Auditors, Comptrollers, and Treasurers awarded **FIT** the NSAA Excellence in Accountability Award for using data to help local government officials understand complex financial information.

The Government Performance Consortium (GPC)

The Government Performance Consortium (GPC) is a setting for local government leaders to collaborate, share best practices and explore the next horizon for the modern government organization.

GPC is a joint project of the Municipal Research Services Center (MRSC), the University of Washington (Tacoma), and the Performance Center. It aims to inspire creativity and build capacity in local governments by sharing insights and successes, continuously seeking solutions to current and future challenges from among emergent leading practices and multiple management disciplines.

Current GPC projects include: What Works Cities resources, the Data Collection and Comparison Project, and GPC forums. What Works Cities is a national initiative to help 100 mid-sized American cities enhance their use of data and evidence to improve services, inform local decision-making and engage residents. The Performance Center helped bring these resources to several cities in Washington. The Data Collection and Comparison Project is a voluntary effort to identify service area performance measures that can help governments assess improvements over time and compare them to other jurisdictions. The forums bring together local government leaders from around the state to hear nationally recognized speakers, form connections with and learn from other local government leaders, and participate in workshops designed to support active learning, offering practical applications and opportunities for them to experiment and practice new disciplines.

Training

The Performance Center continues to add training courses and technical assistance to meet the growing demand for our services, introducing a variety of proven tools and techniques that can help local governments deliver necessary services with the limited resources they have. We have continued to increase the number of local government employees trained in performance management and process improvement techniques. In 2016, more than 3,000 local government leaders and staff took part in our trainings.

Local Government Performance Center: Growth over five years					
	2012	2013	2014	2015	*2016
Training classes	22	61	86	98	195
Local government employees trained	82	2,373	2,567	2,940	3,319
Types of training classes offered	5	10	12	14	16
Lean Academy workshops	0	4	14	24	21

*Note: *Projected totals*

Local governments have seen marked improvements from performance management and process improvement projects, including:

- In June 2016, the City of Ridgefield reduced by half the number of water utility shut-offs from the previous year's average
- The Cowlitz County Treasurer's Office redesigned office space to reduce waste, improve workflow and make work processes more efficient
- Several governments began sharing information electronically, improving coordination between offices and departments
- Kittitas County eliminated backlog and staff overtime hours from the permitting process

Demand for these in-person trainings and presentations continues to grow, while the Performance Center's capacity to provide them is limited by the number of trainers available. To meet demand, we developed an Online Training Library on our website that contains many eLearning opportunities with a focus on local government needs. Efficiencies have already been realized from these digital courses; local governments either find the resources offered in the eLearning were sufficient, or they come to an in-person training session already prepared with fundamental knowledge. The Lean Leadership Train-the-Trainer course is another example of training efficiency. By teaching a few people the philosophy, tools and expertise needed to apply Lean practices, these skills can be rolled out to many more local government employees across the state without direct involvement from the Performance Center.

What's next?

Over the last two years, the Center reviewed its services and offerings and found ways to address growing local government capacity and capability in implementing Lean strategies, especially facilitating networking and support between communities that wish to learn from and support each other in Lean activities. As more local governments seek Lean strategies to address their complex problems, the Center is ready to meet the demand, expanding its eLearning opportunities. The Center will strive to add even more applicable and relevant trainings online and whenever local government officials need them.

Appendix A – Audits published in 2016

The results of recommendations made in these audits, published in calendar year 2016, will be followed up in our next Progress Report.

Alternative Learning Experience (ALE) in Washington

February 2016

For the first full report in a long-term study of educational outcomes for students enrolled in ALE programs, performance auditors visited 10 programs associated with higher student outcomes and reviewed student data. Interviews with program staff and participants provided many insights into the way such programs serve students and the challenges they may face. Our review of student data, however, has been affected by continuing data quality problems, and we made recommendations to the Office of Superintendent of Public Instruction that could help improve data reliability.

Improving Staff Safety in Washington's Prisons

March 2016

Following the death of a corrections officer in 2011, Washington's Department of Corrections implemented a series of initiatives designed to improve the safety of staff working in the state's prisons. Our performance audit found that while no other state has developed and implemented such a comprehensive effort to improve staff safety, opportunities for improvement exist. While each prison had implemented the initiatives to some degree, not all have been fully or consistently put in place in all facilities. Our recommendations, and the detailed information about leading practices, address areas that can help the Department improve further.

Administrative Appeals

May 2016

Administrative appeals offer people and businesses a way to dispute agency decisions without resorting to the courts. This performance audit found that these hearings are functioning as intended, but striking the proper balance between implementing agency policy and providing a fair process is challenging. Our recommendations address two issues in particular: clarifying the role of informal guidance from agency management to administrative judges and clarifying the nature of communications permitted between the agency and judges. We also made recommendations directly to some of the agencies whose processes we reviewed.

Washington State Department of Transportation: Improving the Toll Collection System

May 2016

Washington's statewide, all-electronic, toll collection system has been operational since 2011 and has generated hundreds of millions in toll revenue to meet Washingtonians' transportation needs.

Our performance audit found that the system lacks critical functions and has other operational limitations that affect toll processing, collection and managerial reporting. Missing or incomplete functions limit the Toll Division's ability to assess performance, write off outstanding debt, or correct billing information efficiently. Further, WSDOT has been unsuccessful in enforcing the toll system vendor's compliance with information security standards, leaving in question how well the system protects sensitive information. Finally, more attention by leadership and management would have helped the Toll Division develop and operate this complex system more effectively.

Costs and Sustainability at the Washington Health Benefit Exchange

June 2016

The Health Benefit Exchange helps customers buy health insurance plans and determines whether they are eligible for subsidies that help pay for them. The Legislature required the State Auditor's Office to examine the Exchange's operating costs. We found the Exchange has not been fully reimbursed by the state and federal Medicaid program for nearly $90 million in services provided on behalf of the Health Care Authority; we recommend the Exchange and HCA work together to ensure proper payment allocations. We also found the Exchange's operating expenses appear reasonable, and that joining the federal health exchange program now would increase the Exchange's overall costs. Finally, we made recommendations that can help the Exchange manage its financial self-sustainability in the future.

I-1163: Long-term Care Worker Certification Requirements 2016

August 2016

This performance audit continues our series of reports mandated by Initiative 1163. We found the Department of Health (DOH) and the Department of Social and Health Services (DSHS) have continued to identify and address barriers to home care aide certification. Key improvements include: sharing data to identify trends and monitor applicant progress through certification, helping applicants with limited English proficiency, and streamlining the application itself. We recommended that DSHS and DOH continue to work to identify and address barriers to home care aide certification.

Washington State Patrol's Radio Narrowbanding Project

August 2016

The Washington State Patrol opted to meet a federal mandate by using digital narrowband radio equipment and by entering into an agreement with the Department of Justice to use its Integrated Wireless Network (IWN), built by Motorola. We found the Patrol could have benefited from the knowledge provided by an engineering study before designing its narrowband system, while soliciting competitive proposals could have helped it better assess the best project approach. While it has likely maintained coverage where it was already good, and partnered successfully with other agencies to address coverage issues, it has likely lost coverage in areas that had poor but usable sound quality before converting to narrowband. We recommended the State Patrol take multiple steps before initiating the second phase of narrowbanding, including assessing whether it is advantageous to stay within the IWN system, working with the Governor's Office to establish minimum statewide coverage requirements, conducting engineering studies, and using those results to establish a long-term plan for future work. We also recommended that the Department of Enterprise Services work with the State Patrol to improve their contracting process.

The Effect of Public Records Requests on State and Local Governments

August 2016

At the request of the Legislature, this performance audit examined the effect of public records requests on state and local governments. We found that a changing public records environment and a Public Records Act (PRA) that has not kept pace with present-day issues pose challenges that, if not addressed, may undermine the original intent of public records laws and hinder other essential government services. The state and local governments that responded to our statewide survey reported spending more than $60 million to fulfill more than 285,000 public records requests in the most recent year alone. Requesters pay only a small portion of the costs (less than 1 percent) involved in fulfilling public records requests. Our research shows that a combination of statewide policy changes and better information management and disclosure practices is needed to keep pace with changing times. We identified policies the Legislature can consider to address public records issues. We also identified practical solutions that can help state and local governments continue to improve their records management and disclosure processes. No recommendations appeared in this report.

Ensuring Economical and Efficient Printing for Washington

October 2016

This performance audit (a follow-up to one conducted in 2011) considered the progress made by state agencies, including the Department of Enterprise Services' Printing & Imaging (P&I) program, in reducing statewide printing costs. We found that P&I needs more vendor-pricing and performance information to fully demonstrate its print prices are competitive with the private sector. DES is promoting print management strategies to state agencies, although few have implemented any strategies. We estimate savings of up to $3.9 million to $11.7 million but we were unable to estimate how much of this amount the state has already saved through partial implementation. We recommended that P&I increase collection and analysis of vendor information to ensure it provides the state with the lowest cost or with the best balance of cost, timeliness and quality, and we recommended that the Department of Enterprise Services increase reporting and collecting of information to and from state agencies to improve agencies' implementation of print management strategies.

Medical Discipline in Washington

November 2016

This performance audit examined the processes around medical discipline in Washington applied by the Medical Quality Assurance Commission (MQAC) and the Board of Osteopathic Medicine and Surgery (BOMS). Despite similarities in the professions they serve and the issues they review, we found a number of differences in how the two boards manage their affairs and regulate their providers. Our key recommendation, to merge these two boards, would address many of the issues we found and promote consistency. We also noted other areas for improvement, including better communicating their presence and purpose to the public and interacting with complainants. Finally, we identified some elements in the statutes that govern medical discipline that the Legislature and the boards should consider addressing.

Barriers to Home Care Aide Certification

November 2016

Through a survey of applicants who did not become certified, we found that almost two-thirds dropped out due to barriers, many facing problems when signing up for training or the exam.

Respondents said they could not find course times that fit their schedule or a training location or testing site close to home. Respondents who did not speak English would often find language barriers insurmountable and leave the program. Many said it was difficult finding training and exams in their preferred language. The departments of Health and Social and Health Services have taken steps to address these barriers working with their partners to try to increase the number of locations that offer training and exams. To address other barriers identified in the survey, we recommended the agencies work with their partners to emphasize the importance of taking the exam on the scheduled exam date and review data on requested language interpreters to determine if they need to expand the number of languages available for training and the exam.

Appendix B – Audits in Progress

We expect to publish reports on these performance audits in the following year. Future follow-up reports will examine the results of their recommendations.

Workforce Development: Identifying CTE Student Outcomes

Estimated publication December 2016

This second audit of the Workforce Development System uses student data to examine the postsecondary outcomes of students who take career and technical education (CTE) courses at middle schools, high schools and skill centers. The audit seeks to answer the following question:

- What are the education and employment outcomes of Washington secondary students who concentrate in or complete a CTE program?

Assessing Implementation of Washington's Regulatory Fairness Act and Its Impact on Small Businesses

Estimated publication December 2016

This audit assesses how well Washington's regulatory agencies are implementing the Regulatory Fairness Act, and will determine whether there are opportunities for better, more consistent analysis and outreach to small businesses when new rules are proposed. The audit seeks to answer the following questions:

- Are agencies following the law in developing their small business economic impact statements?
- Are there opportunities for better, more consistent analysis and outreach to small businesses when new rules are proposed?

Workforce Development: Leading Practices for Washington's Career and Technical Education Programs

Estimated publication early 2017

The third audit of the Workforce Development System will attempt to identify school districts that are providing effective CTE programs that meet the needs of students and employers. We want to learn what is being done well, with the goal of developing a set of leading practices that may be useful to other districts across the state. This audit will seek to answer the following questions:

- Are secondary CTE course offerings aligned with state, regional and local workforce needs?
- Are there leading practices that could be identified and shared to increase the success of other program providers?

Correctional Industries

Estimated publication spring 2017

Recent media investigations claimed that CI has not been able to increase inmate participation for several years, has cost the state money due to industry failures, and that CI competes unfairly with private businesses, while overcharging for its products and services. The *Seattle Times* asked the State Auditor to conduct a performance audit of CI's work training programs. The audit will seek to answer the following questions:

- How effective is CI in maintaining and expanding offender participation in its work training programs?
- Does CI price products in such a way that it meets its legal requirements and goals?

Determining Costs per Student for Washington's Medical Schools

Estimated publication summer 2017

Many rural areas in Washington and the Northwest experience a shortage of primary care physicians. In order to train more physicians, a regional, community-based program, known as WWAMI, was created in the 1970s to provide medical education to students from five participating regional states (Washington, Wyoming, Alaska, Montana and Idaho). Until recently, the University of Washington (UW) was the only public institution in Washington authorized to offer medical education, but in 2015, the Legislature authorized Washington State University (WSU) to open its own medical school. Both UW and WSU have published estimates of the annual per-student cost to deliver medical education, but without detailed information to support how these costs were calculated and what they include, policymakers face difficulty understanding how they compare. This legislatively mandated audit will seek to answer the following questions:

- What is the cost per student, by fund source, of medical education for the WWAMI medical school located in Spokane?
- What is the cost per student for students from WWAMI partner states other than Washington?
- Are any Washington state funds or Washington resident student tuition used to subsidize students from WWAMI partner states?
- What is the planned per-student cost of medical education, by fund source, for the WSU medical school program?

Ensuring Transparent Pricing and Essential IT Solutions at WaTech

Estimated publication summer 2017

As the state's central IT agency, Washington Technology Solutions (WaTech) is charged with providing and procuring information technology services for state agencies. However, while we were conducting other audits involving WaTech, several customer agencies expressed concerns about its practices. They told us that WaTech does not collect customer input when providing IT solutions, sometimes offering services that do not fit agency needs. They also said that WaTech's billing and invoicing do not provide enough detail about charges. Some thought its prices were too high and believed they could get better value from private businesses. This audit will seek to answer the following questions:

- How well does WaTech serve its customers in providing IT solutions and price transparency?
- Is WaTech monitoring its costs for IT solutions, and identifying strategies for balancing costs with quality?

Medicaid Enrollment

Estimated publication summer 2017

During implementation of the Affordable Care Act, which greatly expanded Medicaid eligibility, post-enrollment verification of eligibility allowed people to receive health care without delay. A preliminary estimate suggests that if the Health Care Authoriy continued its post-enrollment verification approach, but increased the size of its verification staff, these staff would cost substantially less than the reduction in benefits paid to ineligible persons. The audit will seek to answer the following questions:

- Could the Health Care Authority modify its income verification process to reduce payments to ineligible enrollees?
  - If so, what savings could be achieved and what adverse impacts could result?

Alternative Learning Experiences in Washington: A longitudinal study of ALE programs and student outcomes

Estimated publish date late 2017

This audit will analyze academic and postsecondary data on students who receive ALE instruction and compare them with a matched group of similar students who receive traditional instruction only. We will follow these students from the 2013-2014 school year through the 2016-2017 school year. In addition, we will visit a variety of ALE programs and obtain feedback from a number of students who receive ALE instruction and their families. We will evaluate the effectiveness of ALE instruction by answering the following questions:

- What are the characteristics of students who enroll in ALE programs?
- How do academic outcomes for ALE students compare to outcomes for similar students receiving traditional instruction?
- Are there types of students that respond better to ALE instruction than others?
- Does the type of ALE course taken impact academic outcomes?
- What are ALE student outcomes after high school?
- What are the characteristics of high-performing ALE programs?

Appendix C – How we track recommendations

Our reports identify and evaluate opportunities to save money, increase revenue, and reform state government services. Often it takes more than a year for legislative actions and program changes to take effect and produce improved results and cost savings. As a result, we follow up on recommendations for four years after we issue the report. Also, to allow agencies time to address our recommendations, we have not followed up on the audits we published most recently. State agencies report their audit-related plans and actions through the Results Washington program. Their information is available online at **www.results.wa.gov**.

The Joint Legislative Audit and Review Committee addresses recommendations we make in our reports to the Legislature. This information is available online at **www.leg.wa.gov/JLARC/I-900/Pages/I-900.aspx**. Not all of our recommendations have been implemented, and our Office is sometimes asked how much the state could benefit if every recommendation were adopted. While we provide our best estimate for potential savings and improvements, they are only estimates. Often agencies come up with other ways to respond to issues we raise.

When evaluating agency responses to our audit recommendations, we categorize their status as follows:	
Implemented	Entity fully adopted the recommendation, either as described in the report or by resolving the underlying issue
In progress	Entity has begun to adopt the recommendation and intends to fully implement it
Partially implemented	Entity has adopted parts of the recommendation
Not implemented	Entity has not adopted the recommendation and does not plan to do so.